

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

RE: INVESTIGATION BY THE DEPARTMENT OF)	
TELECOMMUNICATIONS AND ENERGY ON ITS OWN)	D.T.E. 02-38
MOTION INTO DISTRIBUTED GENERATION)	
)	

REPLY COMMENTS OF THE CAPE LIGHT COMPACT

The towns of Aquinnah, Barnstable, Bourne, Brewster, Chatham, Chilmark, Dennis, Edgartown, Eastham, Falmouth, Harwich, Mashpee, Oak Bluffs, Orleans, Provincetown, Sandwich, Tisbury, Truro, West Tisbury, Wellfleet, and Yarmouth, and the counties of Barnstable and Dukes County, acting together as the Cape Light Compact (“Compact”), hereby submit to the Department of Telecommunications and Energy (“Department”) their Reply Comments in the above-captioned investigation.

The wealth of meaningful and diverse initial comments offered indicates not only the strong interest in Distributed Generation (“DG”) in the Commonwealth, but the need for extensive consideration of optimum policies and practices to clear barriers and facilitate installation of economical and environmentally-sound DG capacity. The initial comments also indicate the magnitude of the task of sorting through perspectives and information to prepare agendas for investigation.

As a general comment, the Compact notes the number of parties urging the establishment of collaboratives. The concept is clearly based on the Department’s successful “working groups” and the experience of other states. There are a range of forms this may take. The Massachusetts Technology Collaborative (“MTC”) urged the Department to issue an interim order as soon as possible to initiate such a working

collaborative and offered substantial support for such a process. (MTC Initial Comments at 21-22.) Other commenters appear to prefer a more informal working group. As noted in its Initial Comments, the Compact also supports a collaborative process. In addition to a central collaborative (the “Central Collaborative”) convened by order of the Department to address overarching key issues, the Compact believes that individual collaboratives working in the field (“Field Collaboratives”) in specific locational contexts in Massachusetts or on specific problems would provide additional value. An interchange of information between the Central Collaborative and the Field Collaboratives would enhance the process. This should be considered as part of any Order.

The initial comments of the parties contain both key agenda items or topics to be taken up by the Central Collaborative or, in some cases, the Field or special topic Collaboratives. Consistent with its Initial Comments, the Compact addresses some of these items below.

I. T&D SYSTEM AND END-USE DISTINCITON AND THRESHOLD ISSUES

At the outset, it is important to distinguish between Distributed Generation applications at the Transmission and Distribution (“T&D”) system level (at substations, feeder, etc. and end-user applications (behind the meter)). These two separate applications each require their own sets of policies and market rules.

Several parties noted that distribution system planning should be transparent and conducted in a manner in which information is publicly available. (*E.g.* Union of Concerned Scientists *et al.* Initial Comments (“UCS”) at 12.) This has implications for

both T&D system applications and for end-use applications. For T&D system applications, it was also noted that distribution system planning should encourage the competitive market. The Compact supports consideration of third-party generators in a competitive process for T&D system applications. One party took the position that distribution companies should not be allowed to own distributed generation. (SEBANE Initial Comments at 13.) There is clearly a threshold issue whether a competitive process should be utilized for development of such applications and whether distribution companies should be allowed to participate in the process. A related threshold issue is whether or to what extent T&D applications will alter economics and power flow sufficiently to undermine development of end-user applications (and their accompanying benefits) in specific situations. An additional related issue is the need for a standard “least-cost” analysis to test DG in a system application as compared to other alternatives.

Examination of these threshold issues by either a Central Collaborative and Field or special topic Collaboratives should be a priority.

II. TIMELY DEVELOPMENT OF END-USE APPLICATIONS

Timely development of end-user applications will rely on clearing what have become known as institutional, regulatory, and market barriers. It is critical to distinguish between the types and sizes of distributed generation units; otherwise barriers may be removed for some types of applications and not others. The Compact noted this in a specific example in its Initial Comments. Cape Light Compact Initial Comments at 3. Other parties also discussed this problem in detail. (*E.g.* Plug Power Initial Comments at 6, SEBANE Initial Comments at 2.) Despite the complexity it may engender, and the

need to alter policies over time as technologies advance, interconnection standards, standby rates, metering and valuation of distributed generation to the T&D system as well as business practices of the local distribution companies need to differentiate between different types and sizes of distributed generation units.

A. Interconnection

The variations in interconnection standards and procedures were recognized by a number of parties. (*E.g.* NAESCO Initial Comments at 2, Plug Power Initial Comments at 2-4.) The impacts of interconnection barriers in the form of technical and business practice requirements can substantially increase costs. Pre-certification of standard DG units, exemptions from interconnection studies for small DG units that do not affect distribution system functioning, required time frames for testing and uniform costs were suggested by a number of parties. (NAESCO Initial Comments at 2, Keyspan Initial Comments at 3.) One party urged the adoption of the Massachusetts Electric requirements with some modifications. (SEBANE Initial Comments at 4.) It was also noted by several parties that interconnection standards should apply to network as well as radial distribution systems. (Plug Power Initial Comments at 4, SEBANE Initial Comments at 5.) Parties also urged the Department to integrate Massachusetts standards with NARUC and FERC standards and the standards of other states.

Policies and rules promulgated by other states and agencies should be fully considered. While that process of examination is ongoing, the Compact supports consideration of the Massachusetts Electric requirements as a starting point for

discussion. The Compact also supports pre-certification of standard DG units and formulation of specific timeframes, with expedited procedures for small DG applications.

B. Standby Tariffs

All parties agree on the need for careful rate design of Standby Tariffs. A variety of approaches have been suggested. One party suggested a two-tier approach which would employ a “base rate” to be used when the DG customer has an unscheduled need to utilize the grid with a time of day pricing mechanism with a capacity charge on a per diem basis. That approach would also include a “variable rate” for scheduled access to the grid with a time of day and use charge without a capacity charge for off peak/off season uses. (Trigen Initial Comments at 2.) This could be viable for larger commercial/industrial applications, but for smaller applications, a different design would be more appropriate including no Standby charges for certain customers. One party suggested that no Standby Rates be established for customers who do not receive demand charges (i.e. residential or small commercial). (Plug Power Initial Comments at 5.) Finally, one commenter proposed that DG from renewable energy sources should be exempt from Standby and related charges. (SEBANE Initial Comments at 7.)

The Compact supports the consideration of diversity in the design of Standby Rates for small customers and renewable energy installations and, in particular, the recommendations of Plug Power and SEBANE in that regard. The Compact also urges that recognition of varying values of DG within a single distribution company territory also be considered in rate design and that competitively purchased Standby power be considered as an option for end-users.

C. Metering Practices

Several parties noted that metering requirements and design are critical to DG applications. (*E.g.* SEBANE, UCS.) The Compact supports full consideration of “net” and “true” metering, as well as time-of-generation compensation to note differential values for on-peak and off-peak contributions to the system.

D. Business Practices

DG related business practices include the contractual and procedural requirements the LDC imposes on end-users before interconnection is allowed. Among the recognized common barriers are: 1) application and interconnection fees (delays in processing and fees such as engineering certification of plans for small standard systems); 2) insurance and indemnification requirements (despite equipment being UL listed or installed in accordance with IEEE and other applicable standards—including requirements for sizing of cable much larger than small DG unit requirements); 3) utility operational requirements; and 4) final interconnection requirements including testing of the system. It is essential that uniform policies for business practices be formulated for all Massachusetts LDCs, and that those practices recognize the need to vary requirements and timelines for different types and sizes of distributed generation units. The Compact also supports a policy to prohibit utility requirements for additional insurance for small photovoltaic systems.

E. Pilot Projects

Pilot projects can also be an important source of information while discussion and examination of issues continue. One party noted that six utilities in New York are running pilot projects. (NAESCO Initial Comments at 5.) As the Department is aware, National Grid has undertaken such a pilot in Massachusetts. Similar pilot projects in Massachusetts undertaken as part of Field Collaboratives could also enhance the formulation of policies and rules.

CONCLUSION

There are many perspectives and existing or anticipated bodies of work from other states and agencies to take into account. Not the least of these is the Massachusetts Department of Environmental Protection process to establish model regulations for clean DG to assure environmental benefits. Ultimate customer adoption of DG will depend upon establishment of a beneficial policy framework and customer education. The result of the work of the Department and Central and Field Collaboratives could integrate these considerations into a Strategic Plan for Distributed Resources along the lines of the similar product from the California Energy Commission proceedings. (UCS Initial Comments at 14.)

The Cape Light Compact appreciates the opportunity to provide these Reply Comments and looks forward to the Department's discussions and deliberations on these issues.

Respectfully submitted,

CAPE LIGHT COMPACT

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